

# INDUSTRIAL DEMOCRACY

• PERIODICAL STUDIES IN ECONOMICS AND POLITICS •

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# FORDISM

BY

CARL RAUSHENBUSH

## 2. Ford and the Community

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## FORDISM

### 2. FORD AND THE COMMUNITY

*By* CARL RAUSHENBUSH



### BOOK REVIEW

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## FORD AND THE COMMUNITY

“**F**ORD AND THE WORKERS” examined the position which the Ford Motor Company has taken on the most critical issue now facing workers—the problem of unionization. “Ford and the Community” will examine Ford’s stand on certain important community problems. It will indicate that Ford wants to have political power not only in order to control the police, which help it in its fight against unions, but also to save money on its taxes and specifically on taxes for unemployment relief. Any savings by the company are at the expense of workers and taxpayers. Ford also uses every technicality to save money on workmen’s compensation, and these efforts too burden both workers and taxpayers. There is no room to discuss the Ford company’s summary dismissal of executives, its treatment of Ford dealers, its control of Dearborn schools, its advertising methods, its disregard of patent rights, nor its contempt of government as exemplified in the NRA situation. No attempt is made to consider Henry Ford’s campaign against the Jews, his anti-cigarette and anti-liquor propaganda, his “Peace Ship,” his presidential aspirations, nor his offer for Muscle Shoals. For a discussion of these aspects of Fordism the reader is referred to the articles and books listed in the bibliography.

### POLICE AND POLITICS

**T**HE unchecked assaults of Ford agents on unionists on May 26, 1937, indicate that the Ford company controls the police of Dearborn. It is influential in all the towns of that region. A letter from his chief of police often helps a worker from one of these towns to get a Ford job. Detroit’s Chief Pickert is under obligation to Ford for help in capturing criminals, since the company has up-to-the-minute information about the underworld that the police need. In one case Ford’s located the perpetrator of a notorious torch murder and, in another case, it was able to supply the fact that the criminal was about to sail for Europe and to provide the airplane to carry officers and reporters to New York City.

The Fords company’s interest in the police of the region and its control over its employees’ civic rights are illustrated by the case of



a Ford worker living in one of Detroit's satellite towns. A few years ago he sought to have removed from the town's police department a man who had been convicted of manslaughter and was therefore ineligible. The day after he filed the petition with the town Police Board, he was called from his work into Bennett's office and told that if he did not withdraw his petition, he would lose his job.

A company that has established intimate connections with a police department usually tries to give currency to the idea that the company runs the police, even if it is not completely true, for it instills respect for the company in the common man. It is useful to have actual control, for it is, of course, convenient to have people arrested when the company suggests it, and to shift the burden of proof in such cases to the defendant. But where a company has a large private police force such as Ford's, this service becomes less important; and the main job of the town police is to overlook the intimidating tactics of the private police.

The Ford company's control over the Dearborn police is part of its control over the whole government of the town. This control is achieved by helping to elect "the right candidates." The Ford company actually, though not openly, puts up its own candidates; at every election it is understood who the "Ford candidates" are. For some years the positions of mayor and councilman were held by Clyde Ford and Clarence Ford, relatives of Henry Ford. The company withdrew its support from them, ostensibly to take the Ford name out of politics, but Ford control did not stop when these relatives left office. Unfortunately, the only thorough study made of Dearborn politics was suppressed before publication.

Some Ford workers—even in Detroit—are afraid to vote Democratic for fear their employer will find out. Yet it is harder to coerce workers at the polls than in the factory, and even Ford employees who live in Dearborn are quite likely to vote against Ford candidates. Still the company controls Dearborn elections, for middle-class voters predominate there and they seem to follow the company. One result is that Dearborn remains a separate city, a wedge in Detroit's side. Major issues—police, taxes, relief—which are at stake in the control of local government make it important for Ford's to keep Dearborn separate from Detroit. When the question of amalgamation has come

up for a vote, Detroit has voted in favor of it and Dearborn against it. Ford's has been influential in the state government too. The Department of Labor once proposed to subpoena President Edsel Ford for violating the child-labor laws in not submitting "apprentice" jobs to the scrutiny of the department. The response they got from the prosecuting attorney was, "You must be kidding," and from the governor, "Don't let it get in the papers."

Political influence brings with it many incidental advantages. The company can sell cars and trucks to local governments. Ford was strong enough in the national field to lift the NRA ban on the federal purchase of Ford cars.

Fear of discharge may swing some workers' votes to Ford, but the company relies rather on a direct method of getting votes which amounts to buying them. The candidate favored by Ford is permitted to send a certain number of men to Ford's factories for jobs. He can barter jobs for electioneering services, or, if he has to, for votes. These jobs are in great demand, especially in time of depression, even though they are not permanent (unless the services given are rather important). Job applicants of this sort now usually clear through the Knights of Dearborn, but certain lower-court judges are very active, also.

Ford can get on the right side of officials whom the company does not elect by the same methods used with candidates, namely by giving them the privilege of sending their supporters to Ford's for jobs. It gives these and other privileges also to ministers of Negro and foreign-language churches with the expectation of improving its reputation with their parishioners, some of whom are Ford employees and most of whom are voters.

Ford has assigned service men to do electioneering work for its candidates. To a considerable extent this work has now been taken over by the Knights, most of whom are Ford employees. Ford uses other doubtful methods. In support of Landon the company used the Republican "Social Security Board" pay-envelope propaganda. Henry Ford let himself be photographed with Landon, but he allows this kind of publicity only rarely. He has permitted a friendly candidate to be photographed at the plant when the shift was changing so that the candidate was shown speaking to a multitude. He has lent



a sound-truck at election time. All these are contributions which cost little actual money. Ford money subsidies are more obscure. Henry Ford spent money in his own political campaigns, yet they rested largely on his reputation as a manufacturer. In order to beat this reputation, Truman H. Newberry had to spend so much as to lay him open to prosecution under the strict Michigan law and to lead him later to resign his seat in the Senate. Henry Ford on that occasion, in 1918, ran for United States Senator as a Democrat, but he was a Republican before that and has been ever since. The Ford-for-President boom in 1922-3 was a threat to Harding and then to Coolidge. In order to kill the boom President Coolidge, it is said, promised Muscle Shoals to Ford, though Coolidge may have foreseen all along that Congress would not ratify this proposal.<sup>1</sup>

If Henry Ford's political influence were reduced to its natural dimensions of one vote, the other citizens of the city and state would be freer to get the results they wanted through our democratic processes, and to protect their interests against the Ford company's in such matters as taxes, relief, and compensation.

#### TAXES AND REINVESTED PROFITS

THE Ford Motor Company's control over Dearborn means that it has the power to influence its tax bills and those of Henry Ford, whose estate lies in Dearborn. The control lies not so much in the power to decide what shall be the rates of the city and school taxes as it does in determining the value to be placed on property for tax purposes—the assessments on real property (land, buildings) and on personal property (machines, inventory and other tangible moveables; shares of stock, bonds, bank balances, and other intangibles).

#### *Dearborn Taxes*

As the Michigan law is interpreted, the Ford Motor Company, being an out-of-state corporation, does not pay any personal property tax on intangible personal property like bank balances or stock owned in subsidiaries. Leaving this element to one side, we note that, unless

<sup>1</sup> On Newberry and Coolidge, see Leonard, *Tragedy of Henry Ford*, Chapters 12 and 14; also Erwin, *Henry Ford v. Truman H. Newberry*.



all other Dearborn property is assessed on the same basis as are the Ford company and Henry Ford, the other property owners are cheated. Since the combined Ford interests account for 62 percent of the Dearborn assessment, every dollar taken off the Ford tax bills would add nearly two dollars to the combined bills of the other taxpayers.

It is probable that Ford properties are under-assessed. This idea is supported by a recent statement of one of the Detroit assessors, that the tax valuation of the Ford company's personal property in Dearborn—only 25 percent higher than Chrysler's in Detroit, Dearborn, and Highland Park—was clearly too low.<sup>1</sup>

According to the Dearborn assessor, the company's tangible real and personal property in Dearborn is assessed at \$95,300,000. The company's balance-sheet values its tangible real and personal property in the United States at \$336,800,000, as of December 31, 1936. The bulk of this property lies in Dearborn. Even if only 60 percent of it were in Dearborn, this would be over \$200,000,000. The present assessment amounts to less than half of this.

### *Detroit's Interest*

The assessment adopted in Dearborn is also used for county taxes, and to the extent that any taxpayer is underassessed, the rest of the property owners in the county (chiefly Detroit) suffer. Members of the Board of Review of Wayne County moved unsuccessfully to increase the assessment of Henry Ford's personal property in Dearborn from \$5,000,000 to \$65,000,000. It was, however, raised to about \$8,000,000, where it remains. A similar move was made later, in 1937, when the chairman of the Wayne County Board of Taxes told its tax-equalization committee that at least \$250,000,000 is going untaxed because local assessing officers do not tax the Ford company stock owned by Mr. and Mrs. Henry Ford and Edsel Ford. It is taxable to the amount of the company property owned outside of Michigan, which the company in 1934 declared was worth \$250,000,000.

Another Ford tax problem has troubled Detroit. Several years ago the city allowed the company to run a tunnel under its streets through which water runs from the Detroit River into Dearborn and

<sup>1</sup> *Detroit News*, July 16, 1937.

the enormous Ford power plant. After the power plant uses the water, it is emptied, warm, into the Rouge River nearby. The company built this tunnel because it found that water piped from the Rouge was still warm from its previous use. The tunnel was built by the company but was listed as a city tunnel. Ford's was asked to pay about \$45,000 a year in taxes, but it took the case to the Michigan Supreme Court. The court said that the company did not own the tunnel and could not be taxed for it. Ford's did not finally receive a free gift of the city's rights of way. It agreed to pay a rent of about \$20,000.

### *Ford's Profits*

The company's profits in 1936 were at least \$19,700,000. During the year its book entry "profit and loss" (that is, accumulated surplus) increased by this much.<sup>1</sup> The company's profits in its first 33 years, according to a company radio statement on April 4, 1937, were \$844,000,000. Of this about \$620,000,000 (net worth at the end of 1936) had been plowed back. Though the company has not given out any direct dividend information since 1919, the rest of the profits (\$224,000,000) were presumably distributed and mostly subjected to income tax. \$105,000,000 went to buy out minority stockholders in 1919 and the other \$119,000,000 was probably paid out as dividends. Since the mid-twenties Ford profits have been low—relatively speaking,—not only because of the upheaval of 1927, when a year was devoted to changing models, but because of the depression and the strong competition from General Motors and Chrysler. Judging from the balance-sheets, which are the only published accounts, losses for the decade have balanced profits, but these published figures do not show salaries or accumulation of hidden assets or the costs of the private army. Moreover, they do not show dividends, and according to the company radio statement, dividends for the last ten years had been equal to three cents for each man-hour worked by a Ford employee—perhaps \$50,000,000 in ten years.<sup>2</sup>

<sup>1</sup> If secret dividends were paid, earnings were larger. Also, if the year's increase of \$6.7 million in "reserves" was made to provide for paying the new undistributed-profits tax, it really belongs under "profit," since that tax could be avoided by paying dividends. Or if the reserves are not for genuine business needs, they should also rank as reinvested profits.

<sup>2</sup> The company's radio spokesman was asked to give the actual aggregate dividends for the decade, as well as to check the profits figure which he broadcast. He did not reply to the letter. His broadcast also stated that in its 33 years, the company's dividends had equalled less than 6 cents per working hour. "Would Profits Increase Wages?", Ap. 4, 1937.



## *Income and Excess-Profits Taxes*

Dividends are taxed as personal income by the federal government. Also the Ford company pays a corporation income tax. The only flaw in its tax returns visible to the outsider is the fact that the company lists as expenses a variety of outlays useful for political purposes and also the whole payroll and armament expense of the Ford private army. Except for their size, however, these expenses are a usual type of business outlay, and time alone can tell whether they are a wise business investment. The army's payroll was estimated above at \$5,150,000 a year. This alone, with the tax at 15 percent, enables the company to avoid \$772,500 a year in taxes.

At the time of the War a rather unsuccessful attempt was made by the United States to tax away war profits through an excess-profits tax. Henry Ford did not wait to be taxed. Remembering his denunciation of war profiteers, he said he would sell to the government at cost. When his minority stockholders protested, he announced that he would instead return his own share of the war profits to the government. As late as 1935 it was asserted that he had done so, in a story which obviously came from the Ford publicity department.<sup>1</sup> Jonathan Leonard in his *Tragedy of Henry Ford* (p. 134) maintains that not a cent was paid back but that Henry Ford gained a great reputation for public spirit. And Cunningham in his "J8" (p. 176) prints a telegram from the Treasury Department, January 9, 1930, denying the receipt of the donation.

## *Inheritance and Gift Taxes*

The estates of Mr. and Mrs. Henry Ford will be subject to the federal inheritance tax. To prevent people evading this tax, if an owner of stock gives it to his heirs before he dies, he is, now, subject to the gift tax. Henry Ford apparently gave most of his stock in the company to his son before the gift taxes went into effect and so has to a large extent escaped these taxes. By 1935 he had given 41.5 percent of the stock to Edsel Ford. He is now said to retain only the one share he needs to be a director. The same may be true of Mrs. Henry Ford.

<sup>1</sup> *Detroit Saturday Night*, June 15, 1935, p. 6, col. 6.

The Roosevelt administration in 1935 proposed placing a more steeply graded tax on inheritance. Incidentally, it was stated, such a tax would cause family enterprises like Ford's to be owned by a larger group, since the family of the large stockholder would have to sell bonds or stock in order to pay the tax on the death of the stockholder. Senator Vandenberg of Michigan bitterly attacked this bill, alleging that, if it were passed, on Henry Ford's death the Ford company would be driven into the hands of Wall Street, and an "efficiently operated enterprise" would become a "quest for dividends." It might even be, he declared, that the factory itself would be sold—perhaps in time of depression, so that the heirs would be cheated. Or the government might take over the majority of the shares and subject the company to "political management." The workers' jobs, he maintained, were threatened, and he called on everyone to imagine the calamity if Ford's were to cease operating.<sup>1</sup>

An attack of Ford stubbornness might close the plant—Henry Ford threatened to shut down, in order to ward off a strike in 1937. It is impossible that a shift in ownership would close it. If the Senator's problem is to keep the enterprise under Ford control, this could be done by selling securities of various sorts while retaining 51 percent of the common stock. These sales might be made through an investment banking syndicate or through the Ford dealers. (Since Edsel Ford seems to own most of the company now, the problem will not arise till *he* dies.)

To be sure, if bonds or preferred stock were issued, some future earnings would have to be paid out as interest and dividends. Similarly, if common stock were put on the market many would hesitate to buy the shares unless they were assured that in the future they would yield some dividends, that not all the income would be plowed back into the company. Perhaps the Senator feared that the company would be unable to expand if the plowing-back tradition were broken. But it could always expand if the company were profitable enough to persuade the investing public to buy more Ford securities, issued for expansion purposes in the way that mere mortal, humdrum corporations issue them.

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<sup>1</sup> *New York Times*, August 9, 1935.



## *Plowing Profits Back*

The practice of reinvesting the company's earnings faced a far more serious threat when in 1936 Congress passed a tax on undistributed profits. This law penalized the retention of earnings, and did this in order to force them into the hands of stockholders as dividends. When the stock-holders received them they would have to pay income tax on them—the bigger the income, the higher the rate. The Ford family and other rich stock-holders were in the habit of avoiding the payment of the higher rates by leaving the funds in the company; the new law was an attempt to break this habit.

Henry Ford protested, and he was not the only business man to protest. In fact there was a continuous drive to repeal this law. It was alleged that the surpluses which corporations had so often built up constituted reserves out of which additional wages were paid in time of depression. This argument unfortunately conflicted with the fact that corporations rarely keep surpluses in liquid form and rarely hire more labor than seems profitable.

Henry Ford has transferred all or most of his stock. But he is still useful as an excuse for propaganda against the graduated inheritance tax and other progressive taxes. He announced on May 7, 1937, that the undistributed-profits tax of 1936 had been aimed at his company, and other companies hitherto independent of the financiers; that it was a device to force these companies to borrow from the financiers and pay tribute to them forever after. He overlooked the fact that, in order to avoid the new tax, it is perfectly possible for the company to pay out in dividends as much of the profits as the law required. After receiving these dividends, the stock-holders, the Ford family, could promptly reinvest the money in the company, keeping complete control. There would be only one difference—larger personal-income tax payments to the federal government.

## UNEMPLOYMENT AND RELIEF

**T**HE problem of how large the taxes are to be and who is to pay them is especially important in time of depression, when relief rolls grow. Ford disposes of this relief-tax problem in its characteristically high-handed way. It tries to avoid tax expense by putting the burden of unemployment on the workers

—spreading the work, supporting niggardly public relief policies, and giving relief in the form of loans that are to be repaid. To the extent that the burden cannot be put off on the workers, Ford tries, successfully, to keep it outside Dearborn.

### *Model A—1927*

The dependence of Detroit workers on the Ford production schedule was made clear after Ford's decided in 1926 to abandon Model T. This was a minor revolution; production was low or non-existent during all of 1927. Ford laid off nearly 40,000, keeping chiefly men useful in overhauling the machinery. The many plants supplying Ford closed wholly or in part. A social worker in Detroit estimated that employment dropped by 60,000. To have experienced men on hand when production began again, Ford kept on around 80,000, but they were on part-time.

Paul Kellogg estimated that, "if Ford dropped \$100,000,000 of his surplus in 1927, his employees dropped a sum very nearly equaling it in lost wages, but his \$100,000,000 was in a sense investment, theirs in every sense waste." Henry Ford looked on the bright side. He told Kellogg, "I know it's done them a lot of good—everybody gets extravagant—to let them know that things are not going along too evenly always."

The tax-payers and charities of Detroit, where most of the Ford workers lived, had new burdens put on them. Public relief expenditures in 1927 were 14 percent higher than in 1925 and 1926 *added together*. The Community Fund appealed for \$600,000 more than it had received the year before; the Ford family gave \$175,000.<sup>1</sup> We have already noted that a very small part of the Ford company's taxes are paid in Detroit.

### *Ford and Relief*

Ford donations for relief are small because Henry Ford is against charity. He feels that if people would only show initiative they could start businesses of their own. Failing that, if people were only willing to work, he announced during the depression, they would be able to

<sup>1</sup> Paul U. Kellogg, "When Mass Production Stalls," *Survey*, Mar. 1, 1928, vol. 50, pp. 683, 684, 726.



find jobs. Yet his own plant, like others, bought only the amount of labor it needed during the depression as at other times.

The Ford company's position has been that if unemployed families got relief they should promise to return the money later; that the charity given by government should be kept down to a minimum. In 1931, Ford helped establish in Dearborn a non-governmental Dearborn Community Fund. While this Fund asked people to try to repay the money it gave them, still the company preferred its own system of Ford relief. That is, it gave relief to some of the unemployed Ford workers, but charged their future wages with the amounts they received.

It is hard to believe that the company's antipathy to public charity was free from self-interest. As the largest taxpayer in Dearborn, the Ford company stood to gain if public relief were cut. The company was able to use its influence as an employer to cut relief. On November 6, 1931, it was announced that the Dearborn unemployment problem was ended, since the company was going to hire 2500 Dearborn unemployed. Somehow it was not ended. But the company still had the device of Ford relief. A Ford worker on Dearborn relief would be summoned to the employment office. He would expect to be offered a job, but instead would be warned to go off public relief and on Ford relief. Under public relief the family had been getting grocery orders which they could take to any store. In addition, half its rent was paid. When on Ford relief they would get from the company a daily 60 cent food order on the Ford commissary, where the food was poorer. Sometimes they did not understand that they would be expected to pay it back later. When the worker was reemployed about \$15 a month was checked off his pay till he was clear of debt.

But Ford advanced more to some of its workers than 60 cents a day. The Henry Ford Hospital let Ford employees pay on the installment plan. During the depression they were not required to begin paying till they started working. Another type of advance was made in the community of Inkster, which is inhabited almost entirely by Negroes. Toward them Ford's took a paternal attitude. The company rebuilt some of the houses. Under a plan begun in November 1931 (dropped in most cases about 18 months later) it took over debts as well as giving relief. The families involved had to let the

company administer any property they owned and the working members had to let it check off most of their pay when they were called back to work at Ford's. The basic pay was \$4 a day at the time; of this the worker got \$1 in cash and the rest in grocery and clothing orders and in credit against his debt to the company and others.

The company still manages workers' finances for them in certain cases where it thinks they need it.

Certain Ford workers had better chances at jobs than did others under this system. It was a widely held belief among them that a man in debt to the company was sure of a job. Many patronize the Henry Ford Hospital today on that principle, and others take care for the same reason to buy a Ford car on the instalment plan through a dealer who has influence with the company. The company has admitted asking its men whether they or their friends are interested in buying Fords, but it denies that it exerts any pressure to buy Fords.<sup>1</sup>

### *Detroit as Ford's Partner*

In the Great Depression the company seems to have given preference in employment to workers who had lived in Dearborn more than a year and who might, therefore, if unemployed, claim relief from the Dearborn Department of Public Welfare—relief which would come out of taxes nearly two-thirds of which were paid by the company and by Henry Ford. This preference left unemployed most of the Ford ex-employees living in Detroit and elsewhere. Many complaints were voiced of the relief burden which Ford was putting off on Detroit.

This relief burden arose out of the depression and was aggravated by the fact that most Ford property was in Dearborn and little in Detroit. For the depression Ford cannot be held responsible more than any other corporation—except for its pretensions to leadership. But if Ford had not resisted, Dearborn would be part of Detroit. Presumably Ford's assessment would then have been bigger. It would have paid more taxes, and more money would have been available for relief. This is only one illustration of the fact that the burden of unemployment is distributed very unevenly and that our tax system is not geared to correct this unevenness.

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<sup>1</sup> *Detroit News*, May 27, 1931.



The burden placed on Detroit by Ford's relief policy was vividly described by Walter G. Bergman in "Henry Ford's Silent Partner," published by the League for Industrial Democracy in *The Unemployed*, issue of Spring 1931. In January 1931 the Detroit Department of Public Welfare cared for 45,000 families, giving them an average of about \$10 a week, or \$2,000,000 for the month. Bergman states that in a sample of 3746 families it was found that one-third were ex-employees of Ford. The Ford company protested that in seven years Ford had employed over 300,000 people, so that most of Detroit could claim to be ex-employees. Two large plants in Detroit had a larger proportion of their ordinary force on the Detroit relief rolls than Ford did, but then they paid their taxes in Detroit.

The Bergman article was reproduced in extra large type and headlined in the *Detroit Mirror* — for one edition. In the second edition the story had entirely disappeared.

Constant references to Ford's indifference by Detroit's Mayor and committee on unemployment provoked the Ford company into an attack on the Detroit Department of Public Welfare, in which the company charged that the department was giving most of its money to people who were not in need, in fact that, of a list of 4000 sent to it, 329 were actually working! However, the company submitted only 226 names for check. The Department replied that Ford had hampered its work by neglecting to reply to its queries about relief applicants. After investigation it stated that, of the 226 cases, 28 were found fraudulent, 3 others were known to be so before the Ford list came, 65 were employed but needed supplementary aid (e.g. were on short time at Ford's), 13 others were getting service but no money, 79 had been given relief till their first pay-check should come, one was on the relief rolls of a Detroit suburb, while 37 were hard to locate (6 or 7 of whom were frauds).<sup>1</sup>

### *Community Fund and Hospitalization*

The Ford company promised free hospital service to the needy, but went back on its promise. This promise was made to the separate

<sup>1</sup> Samuel Levin, "The Ford Unemployment Policy," *American Labor Legislation Review*, June 1932. Levin estimates the responsibility of Ford for the large Detroit relief load lower than Bergman does. He cites the *Detroit News* of April 28, 1931, as authority for the number of Ford families on relief being only 5,061. An inquiry at the Department of Public Welfare in 1937 elicited the statement that the figures were no longer at the Department.

Community Fund instituted in Dearborn with Ford's help late in 1931. Ford promised free or nearly free hospitalization for those who might be sent by the Fund to the Henry Ford Hospital in Detroit, though only negligible cash contributions were made to the Fund by either the company or its executives. The company began, as it had promised, by paying the hospital bills of Fund cases, but *it stopped doing this after a few months*. It suggested to the Fund that it send the worker, if he had been employed at Ford's, to the Ford "sociological department," which might decide to hospitalize him, and would charge his future wages for the service. The Fund did not take the suggestion. The company occasionally let it use the plant hospital and gave various needy persons jobs on the Fund's recommendation, but it was unwilling to encourage private gifts to the Fund by contributing money itself, and on January 1, 1935, the Fund was discontinued. It was replaced by a division of the Detroit Community Fund, which did follow the company's suggestion and refer cases to the Sociological Department. A report made by this Fund a few months later indicated that Ford's had been gradually reducing its hospital charges to needy employees, and that it now occasionally gave free service.

#### HEALTH, SAFETY, AND COMPENSATION

THE fact that the Henry Ford Hospital was available, free, for depression cases for only a few months should serve to dispel the vague statements which give the impression that Ford workers and perhaps their families are treated there for nothing.<sup>1</sup> There are some free cases, as there are in other hospitals. The hospital is run at a loss and relies on its non-profit status to free it of legal liability. But the Ford worker is charged as much as is the ordinary patient; only recently has the hospital introduced the practice of adding a surcharge for rich patients. As we have seen, the Ford worker may pay in instalments, and counts on this to help him keep his job at least till the debt is paid.

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<sup>1</sup> For instance Gamaliel Bradford in *Harper's*, vol. 161, p. 518; E. P. Norwood, *Ford Men and Methods* (1931), p. 82.

## *Hospital Functions*

The hospital's charges are said to be above those of others, but it is hard to say how much, because, unlike other hospitals, it allows only staff doctors to treat patients and charges the medical services in with the board and room. The patient is entitled to all the treatment he needs and pays so much a day, regardless of how simple or complicated his treatment. This system performs one of the functions of sickness insurance, under which a family afflicted with a complicated sickness pays no more than a family with little or no sickness. It is also a form of group practice of specialists such as this country needs. This group-practice aspect led to vigorous opposition on the part of the county medical association, which made a move toward excluding from membership doctors not practicing under their own names. This move was finally dropped.

The Ford Hospital handles injury cases from the Ford factory. Under the workmen's compensation law of Michigan an injured worker is entitled to 90 days of free treatment at the expense of the employer. In compensation cases all "company doctors"—Ford's and those of other concerns—are pretty generally suspected of favoring the company when the case is disputed before a commissioner. Some time ago a worker slipped and hit his head on his machine. He died in the Ford Hospital, which performed an autopsy (without a permit) and reported that he had died of heart failure. This finding was disputed, and the state assigned a professor of medicine to make an autopsy, warning the company doctors not to communicate with him, lest, on learning of these findings, he feel that medical ethics required him to agree with the company physician. The company doctor disregarded this warning and let the professor know his finding. The company won.

## *Compensation and Handicaps*

Workmen's compensation for injuries is in a sense part of labor conditions, but it is also part of the community problem of social security and the relief of destitution. The Michigan compensation law is not a very liberal one and the Michigan courts have construed it narrowly, for instance by upholding a release which the worker may have signed, giving up his claims on the company, after a prom-



ise of a job for life. Ford's, like other big companies, is a self-insurer, and stands to lose if it helps the injured worker get compensation, which insured employers sometimes do. But even compared with other self-insurers Ford's has the reputation of settling the fewest cases without a fight. It will contest cases before the deputy commissioner which even its own trial attorneys are reluctant to press, and it appeals to the commission and to the courts much oftener than others. Sometimes, no doubt, this policy gains the company nothing, and simply enriches the lawyers on both sides. In other cases the threat of a fight wins it a compromise; the worker, to fight, would have to hire a doctor and a lawyer and cannot recover their cost from the company even if he wins his suit. To the extent that the company saves compensation money by threatening to fight, it shifts the burden of the accident to the worker or his relatives or, if the family becomes a public charge, to the taxpayers.

One Ford device to save money came to light in a case where Ford stopped payments to a man who had hurt his back. It said that he was fit for work. Its evidence was a moving picture of him helping carry a trunk across a street. The Ford Service Department had induced an acquaintance of his to ask him to help at the time their camera was on the spot. The Commission probably didn't like these methods; it held that the evidence did not demonstrate that the man could work 8 hours a day; and for all they knew the trunk was empty.

The employer or insurance company always has the edge on an injured worker because it can get better medical and legal help. The worker is uninformed about his rights, and he has a hard time getting fellow employees to testify in his behalf. Though the Ford company has stated that it does not discriminate against witnesses, employees continue to avoid testifying.

The worker's lack of information plus some negligence on the part of Ford officials became the basis of a racket. A lawyer learned from someone at Ford's the names of those who had been injured there; he would get the injured person to put the compensation claim into his hands on a 50-50 basis. His application would be unopposed by Ford's compensation department, and compensation checks would arrive at his office. He would cash them and give a few dollars of the money to his client. When he was exposed, Ford discharged its entire com-

pensation department, but resisted making good the workers' losses. The lawyer committed suicide.

A device which Ford, as well as others, has used is to tell men to go on working after injury, often giving them the impression that they were sure of employment for life. This has several possibilities. As in the case where the company threatens to contest, the worker may be induced to sign a release for a small amount. If the company then keeps him on permanently he may be better off than if he drew the maximum compensation of \$18 a week for at most 500 weeks. But it may mean merely that he is lulled into security for six months, until the time has gone by for him to file an application for compensation. He can then be fired with impunity. Or, if he has filed, the company can point to the fact that he has been back at work, perhaps at full pay. Thus the company is able to rebut the employee's claim that he has lost part or all of his earning power.

When the depression came, among the tens of thousands of Ford men laid off were injured men who had failed to make a claim, either because of lack of information or because they relied on the offer of a job which looked better than compensation. The firm was overwhelmed with claims, to most of which it replied that the six months period during which claims could be filed had elapsed. But the Michigan law provides that this fact shall not protect an employer who has violated the law in connection with the accident. Many workers were able to show that Ford had failed to report the accident properly. Some of these lost part of their money because the Michigan law sets the compensation limit at 500 weeks from the date of the *accident*, not from the date of the *award*. Those who could find no irregularity on the company's part were left without any recourse. The Detroit Department of Public Welfare tried to cut down its outlays by encouraging compensation claims. It made a partial check, found 3000 claims in Detroit, and began several hundred suits before the employers induced it to drop these methods.

Though in the depression Ford laid off people who had been hurt in its plant, yet handicapped people hold an unusually large number of jobs with it—about as big a percentage as there are handicapped people in the population. The company asserted in 1935 that it employed 10,000 handicapped among 68,000 workers. If only those are

considered who have a "permanent loss or impairment of sight, hearing, speech, or the use of limbs and/or trunk," there were 1,128, or about 1.7 percent. Of these, 478 disabilities related to fingers, 191 to feet, and 132 to partial sight. A study made for the Detroit Community Fund showed that these people were given work within their ability, so that blind workers, for instance, do simple, monotonous jobs. The company seems to get full value from them.<sup>1</sup>

Ford would be employing a still larger proportion of handicapped people if it were really true, as Henry Ford says in *My Life and Work*, that no one is hired or fired because of his physical condition except for contagious diseases. There is some feeling among Ford executives that even the present limited use of the handicapped lets the company in for too many risks, since handicapped persons are more likely than others to be injured a second time by the industrial process. One of Ford's employees was laid off because of a hernia. When he spent \$200 to have it corrected, on the understanding that he could then have his job, he was told that he was still too much of a risk. This case contrasts with the company's pride in the large number of men it employs who are handicapped by hernias.

There is no evidence that the handicapped workers are men who were injured in Ford's employ. Most of them seem to be hard-luck cases that have attracted Henry Ford's attention; he responds to these appeals on the one hand while on the other hand he evades his obligations, as we have seen, to men injured in his service.

### *Politics and Safety*

Compensation and safety laws are administered by labor commissioners and deputy commissioners. Many of these are purely political appointees. Ford has been responsible for many of the appointments. The new Democratic governor, Frank Murphy, has appointed as commission chairman George A. Krogstad, a former Ford compensation adjuster, who had gone to his job at Ford's from the position of deputy commissioner. Two present deputies have sons working at Ford's. The political nature of the appointments has subjected deputies to another sort of influence. They have rather expected to lose their jobs when another administration came in and have hated to

<sup>1</sup> Murphy, *A Study of Social Services*, etc., p. 16.



offend big employers like Ford from whom they could get jobs such as compensation adjuster or attorney.

The Ford company does not keep a lobbyist at Lansing and it does not belong to the Michigan Manufacturers Association which does employ one, but it uses its influence against attempts to strengthen the labor laws. There has been considerable agitation for an amendment to the compensation law that would include under it all occupational diseases. The Ford company used its influence to postpone the passage of any amendment. However, in 1937, the legislature passed an amendment naming a list of 31 diseases to be covered. Soon afterward the United Automobile Workers set up an occupational-disease research institute, to include a study of speed-up neuroses.

### *Plant Conditions*

The Ford company has the reputation of providing healthful plant conditions. The company notifies you of Henry Ford's passion for cleanliness, and his ideal can be found fulfilled in places like the rolling mill and the glass plant, which are occupied chiefly by machinery. That ideal is also attained in the air-conditioned rooms for testing parts. Elsewhere in the welter of men and machines and metal it is less evident. The rapid pace of work of most of the men is naturally unhealthy and increases the accident hazard. The three factory inspectors employed by the state are too few adequately to cover Ford's, even if they disregarded the rest of the state.

In 1935 a man died of cyanide poisoning in the plant. The findings of an inspection—made a month after the event—may be abbreviated as follows:

Dept. 498. Lunches stored 25 feet from cyanide furnaces. Eaten at any convenient place; one man ate sitting on cyanide can. Dept. 6510. The dead man had worked here. No cyanide here. Dept. 498 is 200 feet away. Dept. 728. Cyanide piled indiscriminately on the floor next to the furnace. 100 cans accessible to any employee. Cans opened at furnaces and left partly full, accessible during working hours. Lunch period 15 minutes in this department. Lunch eaten at any convenient spot. Dept. 13. Lunches left in open stock bins 10 feet from furnaces. A peck of cyanide is kept handy near furnace, some had fallen on floor. Cyanide is handled by hand shovel. Partly full and full cans accessible. No hot water in this section on day of inspection. Dept. 2455. Hand shovel; partially filled can accessible. Man eating 15 feet from furnaces. Dept. 183. Uses cyanide. Uses Aero Case Compound, labelled "Poison, Keep Cover Closed." One can was open. 66 cans Aero, 30 cans

cyanide around the department. Handled by hand shovel. Man eating behind furnace. Wash room 80 feet away. Dept. 1519. Hand shovel method. 20 cans of cyanide at door of building. Dross from furnaces, containing cyanide in a weaker state, is swept up and placed in empty cyanide cans along with other refuse. Safety engineer said men are familiar with cyanide and know how to handle it; that the cyanide situation is as good as it is practical to make it.

The inspectors then went beyond cyanide conditions: Pressed-steel building. Ventilation in general good. But in 39 listed spots or machines, it was found bad, for instance, acid tank had no ventilation. Also, "Electric power wiring to machinery in Department 191 from C-1 to C-36 inclusive is not installed according to code. In some instances there is evidence to show the condition is temporary while in other words (cases?) it would appear the installation is an old one and has been in this condition some considerable time." Wash room and toilets ample. There are places to hang clothes, but no lockers. Motor building, plating department. Acid poured into pail; no safety rocker for carboy; goggles and gloves not required. Floor wet with acid. Some tanks hooded and vented, others not. Eye-hazard from splash over heads of men not wearing goggles. "The venting on the cyanide solution is inadequate and it appears that the entire venting system should be revamped to make it effective."

Two weeks later, reinspection showed it was quite possible to improve conditions.

Surplus cyanide had been removed from around furnaces; only enough for 8 hours was brought from storage at one time. Floors around cyanide furnaces were being mopped during the inspection. Cyanide dross cleared away. But in pressed steel building same cyanide and aero compound as before; in rolling mill, cyanide can half full stood before toilet. Inspector recommends wall around cyanide departments in motor building, to keep away employees who do not understand cyanide. Plating department not improved; no locker for acid carboys nor syphon pump.

Two months after the death of the worker, a coroner's jury was sworn in. The difficulty of getting accurate testimony was illustrated by the fact that one Ford employee *fainted on the witness stand* when he saw his superintendent come into the room.

The jury found that a sandwich which the worker ate contained cyanide. There was division of sentiment in the jury, some of whom favored charging the Ford company with negligence. Finally the jury recommended that the Labor Commission report "be given wide publicity. These findings should result in the Michigan Legislature establishing adequate safeguard for Michigan employees exposed to the hazards of cyanide." When the legislature met, in 1937, no action was taken.



WE HAVE seen that the Ford company is influential in elections and appointments. Its influence is greatest in Dearborn, which is much like other company towns. Giving out jobs is Ford's chief method of paying for support for its candidates. One of the fruits of its political activity is cooperation from the police. This has given Ford agents practical immunity. Another result is power to control local tax assessments. The evidence indicates that the Ford company does control them. Henry Ford has been the author and the occasion of misleading criticisms of progressive taxes. In the depression the company has kept the relief burden off the Dearborn tax-rolls by arranging to have some workers pay back the relief they received, and especially by letting Detroit foot the relief bill. The Henry Ford Hospital, with many progressive features, has become an instrument of the company's niggardly compensation policy, a policy which rests on Ford's political strength. The company has been found careless of industrial health in certain respects, and, though it employs many handicapped workers, this fact does not assure a job to the man injured in its plant.

The company's ability to escape social burdens and to manipulate the community has rested on the tradition that Ford is unbeatable. But now this legend is cracking. Frank Murphy challenged the legend when he was mayor of Detroit, and as governor of Michigan he has the opportunity to do so again. County attorney McCrea and his staff, plus Judge Liddy, are prosecuting Ford agents involved in the May 26 attacks. An assessor announces that Ford taxes are too low. Washington, which assailed Ford unsuccessfully in 1933, will shortly enter the picture with a report by the National Labor Relations Board. This report cannot help condemning Ford methods against the union. Already these methods have received wide public attention for the press is more outspoken than it was. The change is especially great in the Detroit papers.

The local revolt against Ford is important. It means that Ford's hold over politics is slipping, and that the organized labor vote is becoming significant. Without this, any middle-class resentment against special privilege is likely to remain sterile. It is unfortunate that the

agreement of the CIO and the AFL on a Detroit slate for the fall of 1937 was so quickly abandoned, but the CIO candidates placed in the primaries. After a campaign in which all Detroit newspapers joined against the labor candidates, former Michigan attorney-general Patrick O'Brien, the labor candidate for mayor, obtained 37 percent of the votes, including progressive middle-class votes. Even where organized labor alone had 51 percent of the votes in a town, a victory would be difficult to consolidate without adequate middle-class support. In Detroit the United Automobile Workers—a young union—set up its ward-by-ward political organization on very short notice. A by-product of this organization was the recruiting of more Ford members for the union.

In the process of prying the Ford company loose from politics, the economic activity of the United Automobile Workers can play almost as great a role as can the votes of its members. When Ford's is unionized it will have to introduce system into its personnel policy. Not only will several thousand of the jobs of the Service Department spies vanish, but hiring for production jobs will be on the basis of competence and seniority. Both these facts will cut the company off from giving Ford jobs as patronage, and will help abolish its influence over elective officers. Breaking the Ford Motor Company's grip on the workers will break its grip on the community.



## BOOKS AND ARTICLES ON FORD

Most of the information in this booklet was obtained in June 1937 in Detroit. The writer of *Fordism* interviewed public officials of Detroit and Dearborn, union officials, Ford workers, former Ford workers, Ford service men, other automobile workers, reporters, ministers, lawyers, doctors, social workers, and teachers. He is grateful to them for their cooperation. At his request the Ford Motor Company filled in a gap in published wage data but it did not reply to a request that it make clearer its radio statement on Ford dividends. Testimony at the NLRB hearing and other events of July-October 1937 are drawn chiefly from the *New York Times* and the *Detroit News*. Books and magazine articles cited in footnotes are included in this bibliography, which is intended to be selective rather than complete.

A succession of books has appeared over Henry Ford's name; in collaboration with Samuel Crowther he has put out *My Life and Work* (1922), *Today and Tomorrow* (1926), and *Moving Forward* (1930). *A Series of Talks given on the Ford Sunday Evening Hour by W. J. Cameron, 1936-1937* is the latest volume of a series published by the Ford Motor Company, Dearborn, Michigan. The company has also reprinted (with Henry Ford's *Fordism* epigrams thrown in) *Ford Gives Viewpoint on Labor: Cautions Workers on Organization*, interview with Henry Ford by A. M. Smith in the *Detroit News*, April 29, 1937. This deals with the alleged connections of Wall Street and the unions. The company will send the Cameron and Smith booklets on request. An analysis of Cameron's talks is Harvey Pinney's "The Radio Priest of Dearborn," *Nation*, Oct. 9, 1937, pp. 374-6. An interview with Henry Ford appeared in the magazine section of the *New York Times*, Oct. 17, 1937, followed by one with Lewis and a summary article on Oct. 24 and 31.

Most books and articles about Ford are laudatory. An example of pure laudation is Charles Merz's *And Then Came Ford* (1929). Approaching it is E. P. Norwood's *Ford Men and Methods* (1931) describing the plant. Among those which are salted with a little adverse criticism are Gamaliel Bradford's "The Great American Enigma" in *Harper's Magazine* for October 1930. Murray Godwin's "The Case Against Henry Ford" in the *American Mercury* for July 1931, and *Fortune Magazine's* "Mr. Ford Doesn't Care" in December 1933. See also Ford's standing in the poll reported in *Fortune's* October 1937 issue.

Substantially critical is S. S. Marquis' *Henry Ford, an Interpretation* (1923). Marquis invented and ran the Sociological Department, and he wrote after it had been scrapped. Chapters 12 and 17 deal with the turnover of executives; chapter 13 with the executives' part in creating the well-known Ford production methods. There are excellent articles by Paul U. Kellogg in the *Survey Graphic* ("Henry Ford's Hired Men" and "When Mass Production Stalls," in the February and March 1928 numbers) and by Samuel M. Levin, "Ford Profit-Sharing, 1914-1920" in the August and October 1927 numbers of the *Personnel Journal* and "The Ford Unemployment Problem" in the *American Labor Legislation Review* of June 1932. Ford is touched on in two good articles in the *Nation*—George Lambert's "Dallas Tries Terror," *Nation*, Oct. 9, 1937, pp. 376-8, and Joel Seidman's preview of the Detroit elections in the *Nation*, Sept. 11, 1937.

Strongly critical is J. N. Leonard's biography *The Tragedy of Henry Ford*, (1932), and so is Upton Sinclair's novel *Flivver King* (1937). Robert Dunn's *Labor*



*and Automobiles* (1929) exposes the whole industry, including Ford, and its bibliography contains many titles on Ford. "Bullets—not Food—for Ford Workers," by Maurice Sugar, in the *Nation* of March 23, 1932, tells the story of the Ford Massacre. W. M. Cunningham gives a bitter summary in "J 8," *A Chronicle of the Neglected Truth about Henry Ford D. E. and The Ford Motor Company* (1930). This paper-backed book of 187 small pages was written by a man who had worked in several Ford departments, including publicity, though hardly so close to Henry Ford as was Marquis. Ford's moved to suppress Cunningham's volume, as it has done in other cases, but some copies escaped. Ford is denounced also in Part III ("Detroit") of Erskine Caldwell's *Some American People* (1935), and John L. Spivak's three articles in the *New Masses* for June 9, 16, and 23, 1936, ("Who Backs the Black Legion?", "Henry Ford's Duke of Michigan," and "The Mysterious Dickinson, Stooze") try to show connections between Ford's and the Black Legion; the second one is devoted to Harry Bennett, head of the Service Department.

An important book cited in the notes is Spencer Ervin's *Henry Ford v. Truman H. Newberry* (1935), covering Ford's Senatorial campaign and after-charges. Irene Ellis Murphy's *A Study of Social Services Available for Handicapped People in the Detroit Area* is a mimeographed booklet published July 1936 by the Detroit Community Fund.

Official reports on Ford are due from the inquiries begun in May and June 1937. The McCrea-Liddy grand-jury investigation into the May 26 attacks on leaflet-distributors resulted in indictments, due to be tried in the fall of 1937. The National Labor Relations Board took evidence not only on the attacks but also on discrimination, intimidation, and company unions, and will issue findings. The LaFollette Senate civil-liberties committee made a preliminary investigation of Ford in 1937. Comment on Ford's relation to the vigilante movement appeared in the articles by Daniell in the *New York Times* at the end of June 1937 and those of Stolberg in the *Nation* in July. Shields wrote a series of articles on Ford in the *Daily Worker* in June and July.

Three recent publications in the series of which this study is one would perhaps be useful to the reader as background. At the close of 1936 *The Automobile Industry and Organized Labor* by A. J. Muste described the set-up of the big auto companies and their international character, and their industrial relations from 1933 up to the General Motors strike. This strike is covered in "Sit Down," by Joel Seidman, an L.I.D. publication which also takes up the history of the sit-down form of strike, its theory, methods, and legality. *Industrial Unionism and the American Labor Movement* by Theresa Wolfson and Abraham Weiss, in describing the split between the A. F. of L. and the CIO, describes the struggle over the industrial form of union organization for the automobile industry, already touched on in the first of these three booklets.

Two recent books which touch on Ford and which are highly recommended as background reading are Robert Brooks' *When Labor Organizes* (1937, \$3.00), and Leo Huberman's *The Labor Spy Racket* (1937, \$.35), a summary of the LaFollette committee testimony. See also J. R. Walsh's *C.I.O.* (1937, \$2.50).

## BOOK REVIEW

**THE FLIVVER KING.** A Story of Ford America. By Upton Sinclair.  
*Pasadena, California: Upton Sinclair. 1937. 119 pp. 25 cents.*

In *The Flivver King*, Upton Sinclair has called attention in his inimitable way to the wrongs that might be righted in the domain of Henry Ford, the next industrial domain which the C.I.O. is planning to organize. The story by Sinclair, which is being circulated by the hundreds of thousands by the automobile workers, should furnish a magnificent propaganda pamphlet for the United Automobile Workers engaged in organizing the Ford plant. It admirably supplements the fine factual monography, "Fordism," by Carl Raushenbush.

The story opens with a description of experiments of Henry Ford in his first strange appearing flivvers. It describes the growth of the Ford empire, Ford's increasing isolation from his working force, the tragic insecurity of his workers, the development of the "service department" and the terrible speed-up system which left thousands of employees utterly exhausted after a few years of work, ready for the industrial scrap-heap on which they were tossed by harrassed foremen and others.

Sinclair in this volume does more. He tells the homely story of many Ford families, and gives a description of many of the non-industrial ventures of the auto-king—some motivated by generous impulses, as in the case of the Ford Peace ship, some animated by narrow and benighted racial prejudices. Finally, the author describes some of the most recent developments of the C.I.O. in behalf of a real system of collective bargaining.

*The Flivver King* is a book that everyone who still holds to the Henry Ford myth and who wonders why the Ford worker should think of organizing should read and read again. If the C.I.O. organizers do as good a job in the technical work of organization as Sinclair has done in labor union propaganda, the Ford plant will be a union firm within the next year.

H. W. L.



# THE FLIVVER KING

A STORY OF FORD-AMERICA

BY UPTON SINCLAIR

What is Henry Ford? What have the years done to him? What has his billion dollars made of him? Here is the man, and the story of his life. Here also are his workers, a family of them over a period of three generations. What has the billion dollars done to **them**?

A dramatic labor struggle is under way. Will Ford recognize the union? Will there be a "sit-down" in his plants? Here, in story form, are the facts needed to understand events.

The United Automobile Workers of America, the C.I.O. union, is taking an edition of 200,000 copies for its members.

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A Detroit lawyer writes:

"I lived as a boy one block from the old Ford plant. Henry Ford lived on the same street one block west of me. I remember the old '999.' I saw the 'buggies' on the streets. I watched the Ford establishment grow. Your book is splendid. I congratulate you upon the job which you have done."

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